

MONTHLY REVENUE REPORT

April 2004

The revenue generated from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.61 billion in April, which represented a 3.4% increase from the year-ago level. This marked the third consecutive month that tax collections topped the year-ago level by a significant amount. In February and March, collections from Michigan's major taxes were up 4.2% and 9.4%, respectively. Given the size of these recent increases, along with the fact that the increases have been well distributed among the major taxes, it is clear that economic activity has finally started to experience some renewed growth in Michigan. The revenue collections cited above exclude the State education property tax, due to its new payment schedule. In past years, the State education property tax was collected in both the winter and summer, but beginning this year it will be collected only in the summer. As a result, State education property tax collections are currently down 69.0% from last year's collections. Therefore, the State education property tax is omitted from total tax collections in order to provide a more meaningful and accurate measure of the current level of tax collections and how they have changed from last year's collections. On a fiscal year-to-date basis, the revenue collected from these major taxes (excluding the State education property tax) is up 0.9%.

Gross income tax collections, which include withholding, quarterly, and annual payments, totaled \$955 million in April. This represented a strong 7.2% increase from last year's level, as withholding payments increased 6.0% and annual payments topped the year-ago level by 10.9%. This increase in withholding payments suggests that employment in Michigan probably increased in April. The amount of income tax payments that were refunded to taxpayers totaled \$377 million, which was only 0.6% above last year's level. As a result, net income tax collections (gross collections less refunds) totaled \$578 million in April, which was up a strong 12% from last year's level. So far this fiscal year, net income tax collections are up 1.8%.

Sales tax collections totaled \$516 million in April, which represents a 3.2% decline from the year-ago level. This decline in April marks the fourth time in the past six months that sales tax collections have fallen below the year-ago level. Much of this weakness is due to a drop-off in sales tax collections from motor vehicle transactions, which fell 17.1% in April and are down 9.0% so far in FY 2003-04. Sales tax collections from all other taxable retail transactions were down 0.1% in April, but are up 1.1% so far in FY 2003-04. Total sales tax collections are down 0.4% on a fiscal year-to-date basis.

Single business tax revenue totaled \$257 million in April, which was down 9.0% from last year's level. Single business tax collections tend to be volatile on a monthly basis due primarily to the complexity of the tax and the timing of the quarterly and annual tax payments. While business profits are currently on the rise, which should help boost single business tax payments, investment in new capital equipment also is increasing, which has negative implications for collections due to a special credit for capital investments. While April collections were down from last year's level, on a fiscal year-to-date basis, single business tax collections are even with the year ago-level.

Other major taxes that posted a gain in collections in April include the use tax, up 16.7%; tobacco taxes, up 4.9%; real estate transfer tax, up 19.9%; and oil and gas severance tax, up 4.2%. Other taxes that experienced a decline in collections in April include the estate tax, down 35.9% (due to the ongoing phased elimination of this tax); casino wagering tax, down 2.4%; and State education property tax, down 86.0% (due to the new payment schedule).

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for April 2004, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revenue estimates for FY 2003-04, which were adopted at the January 2004 Consensus Revenue Estimating Conference.

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MICHIGAN REVENUE UPDATE
APRIL 2004
(dollars in millions)

Type of Revenue	April Collections		FY 2003-04 to Date ²⁾		FY 2003-04 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2002-03
Gross Income Tax	\$ 955.3	7.2%	\$ 4,012.4	1.1%	\$7,456.5	1.3%
Refunds	(377.2)	0.6	(1,107.6)	(0.8)	(1,636.7)	5.6
Net Income Tax	\$ 578.1	12.0%	\$ 2,904.8	1.8%	\$5,819.8	0.2%
Sales Tax	516.4	(3.2)	3,103.1	(0.4)	6,620.7	3.1
Motor Vehicles	81.4	(17.1)	422.0	(9.0)	----	----
All Other Sales Tax	435.0	(0.1)	2,681.1	1.1	----	----
Use Tax	111.9	16.7	624.0	4.4	1,257.5	2.3
Tobacco Taxes	71.2	4.9	419.7	(1.3)	876.8	(1.6)
Single Business Tax	256.8	(9.0)	903.3	0.0	1,878.7	1.9
Insurance Tax	31.5	67.6	137.9	10.8	247.0	6.9
State Education Property Tax	20.3	(86.0)	270.7	(68.9)	1,745.2	(18.0)
Real Estate Transfer Tax	21.7	19.9	144.9	21.5	274.7	(0.3)
Estate/Inheritance Tax	4.1	(35.9)	35.7	(39.9)	70.0	(29.0)
Casino Wagering Tax	8.2	(2.4)	46.8	4.2	94.5	4.0
Oil & Gas Severance Tax	5.0	4.2	20.3	(17.5)	43.0	(10.2)
Total	\$1,625.2	(4.3)%	\$8,611.2	(5.7)%	\$18,927.9	(0.7)%
Total Excluding State Education Tax	\$1,604.9	3.4%	\$8,340.5	0.9%	\$17,182.7	1.4%
Addendum:						
Gross Lottery Sales ⁴⁾	\$196.6	48.9%	\$1,156.4	18.9%	\$1,860.0	10.6%
Net to School Aid Fund ⁴⁾	\$ 56.8	27.9%	\$ 381.7	11.1%	\$ 635.0	8.4%

1) Total collections are unadjusted cash collections unless otherwise noted.

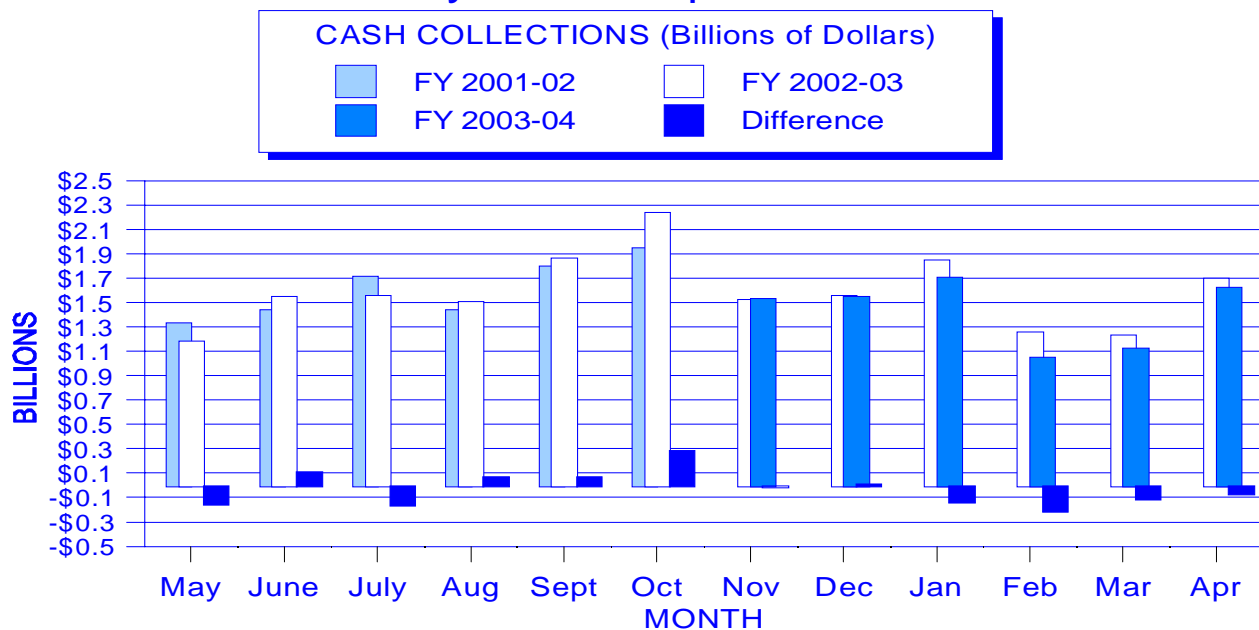
2) FY 2003-04 year-to-date collections begin with November 2003 collections to reflect accrual accounting.

3) Revenue estimates adopted at the January 14, 2004, Consensus Revenue Estimating Conference.

4) Lottery revenue is not accrued, so FY 2003-04 lottery revenue will include October 2003 to September 2004.

Actual Revenue Collections for Major State Taxes*

May 2002 to April 2004



*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.